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Reckoning comes for Gas City's McEnery



By: Steve Daniels



The foreclosure filing by PrivateBank last spring made it clear that William McEnery's vision had faltered.

A sharp eye for trends and opportunities others missed had helped him turn a South Side gas station into a business empire worth hundreds of millions at its peak. He was among the first to sell groceries at gas stations, cashed in on the first wave of casino gambling in Illinois and saw the development potential in Will County's open fields.

Over 44 years, his holdings grew to include 59 gas stations, two casinos, a trucking company, real estate investments, ice cream stores, golf courses and even a provider of "elegant mobile restrooms."

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But he wasn't prepared for the impact of the recession and the real estate collapse that have him fighting for control of his businesses with Chicago bankers who loaned him about \$365 million in recent years.

Mr. McEnery's businesses have fallen behind on payments to the top banks in the city: Bank of America Corp., Northern Trust Corp., MB Financial Bank N.A. and Cole Taylor Bank, to name a few of the 17 institutions.

The breadth of the debt and the number of banks draws gasps even from industry veterans. Seven banks in addition to PrivateBank have filed foreclosure suits—some for multiple loans—against a McEnery trust that controls Gas City properties.

"That's highly unusual," says Terry Keating, managing director of Chicago consultancy Amherst Partners and a former banker, who says the number of banks involved is more typical for a "large corporate deal."

Mr. McEnery, 68, lost ground on another front last week when his trucking company shut down.

He has hired a turnaround adviser and a bankruptcy attorney as he moves toward a showdown with his lenders. The result will determine the outcome of a story that until now read like a classic tale of self-made success.

Mr. McEnery, the oldest of 11 children, was raised in St. Kilian parish on the South Side. His father was a train engineer for the Chicago Rock Island & Pacific Railroad, while his mother managed the household.

quote|J. Thomas Long, attorney
' He was kind of a mini-McDonald's. If he would put (a Gas City) someplace, people would come.'

He ran track at Mount Carmel High School before graduating in 1960, he told the *Chicago Tribune* in 1993. With no money for college, he took a job pumping gas and another delivering home heating oil.

In 1966, he opened the first Gas City station, at 55th Street and Pulaski Road. Its 40-foot-tall yellow sign became a neighborhood landmark, as did the giant fiberglass cow he attached to the roof in the early 1970s to let people know he carried milk, unusual for a gas station at the time. The weight of the cow proved too much for the roof, and Mr. McEnery moved it in 1976 to the Frankfort headquarters of Gas City Ltd., where it stands today.

READ NEXT came a standard feature at Gas City, and major chains followed suit.



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e a developer.

is kind of a mini-McDonald's," says attorney J. Thomas Long, who recalls hunting pheasants as a young man on a Manteno site that became a Gas City. "If he would put one someplace, people would come."

Never flashy, Mr. McEnery showed a taste for action. Not only does he own and train trotting horses at his Bell Valley farm in Homer Glen, he drove in harness races at area tracks until the early 1990s. As a younger man, he
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stock cars at Raceway Park in Blue Island.



As his holdings expanded and his wealth grew, Mr. McEnery avoided the spotlight. He operates from a one-story office building in Frankfort distinguished only by the fiberglass cow from his original station. He declined interview requests for this story.

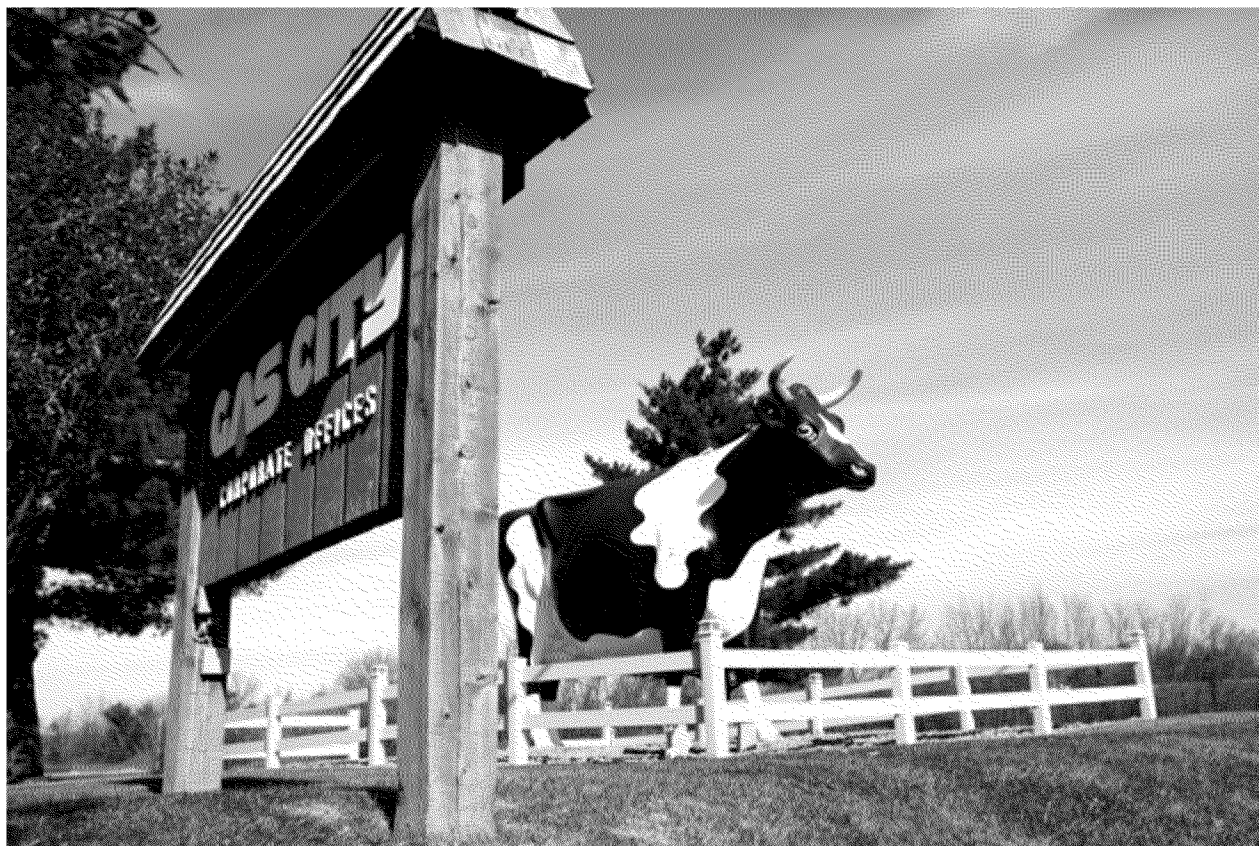


Photo by Erik Unger

The fiberglass cow once perched atop William McEnery's first gas station, at 55th Street and Pulaski Road, now sits outside Gas City headquarters in Frankfort.

Not a back-slapping schmoozer, he's content to blend in with the crowd at social events, acquaintances say. In conversation, he "doesn't always show his hand," Frankfort Chamber of Commerce President Harry D'Ercole Jr. says.

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When William McEnery bought his gas stations in 1989 for \$45 million, he loaned \$5 million to a group of investors struggling to launch a casino in Illinois, a riverboat called the Alton Belle on the Mississippi River in Downstate Alton.

"Nobody would invest in this thing back in those days," says Mr. Long, who led the investor group. "He stepped up and took the risk and was rewarded for it. . . . I think he's a visionary."



The loan was paid off. Mr. McEnery received a 6.5% ownership stake in the boat and ultimately a seat on the board of parent company Argosy Gaming Co. His holdings were worth roughly \$40 million in 2001, according to the last public disclosure of their value.

GAMBLING WINS

The Argosy connection got him a piece of the state's second riverboat casino, the Empress in Joliet. His stake in that operation, which included another boat in Hammond, Ind., would have been worth about \$80 million when

Jack Binion's Horseshoe Gaming Holding Corp. bought the company for \$609 million in 1999, according to a person familiar with the company's finances. Mr. McEnery also collected more than \$100 million in dividends on his Empress shares in the six years before the sale, this person says.

All told, Mr. McEnery's gambling investments in Illinois produced more than \$200 million in returns up to the early 2000s.

Shrewd use of cash to influence politics played a role in the Empress casino coup. Mr. McEnery led an effort by the casino company to push through a referendum allowing gambling in Hammond, providing \$600,000 to a front group that campaigned successfully for the referendum.

In Illinois, Mr. McEnery has contributed more than \$130,000 to various state and local candidates over the past 16 years. Notably large recent contributions went to House Republican Leader Tom Cross, to whom Mr. McEnery gave \$10,000 in 2008 and another \$10,000 last year, according to the Illinois State Board of Elections.



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Craftsman's new oversight of the deal. Mr. McEnery wasn't charged, but he was forced to give up the contract in 2001.

The setback didn't slow him down. His fortune rose with the economy and the boom in Will County early in the last decade. He surveyed it all from his home on an estate that includes a pumpkin farm popular with families from across the south suburbs.



There's a new way to replace old gas mains—but not in Chicago. The city provided jobs for McEnery kin, including his father and brothers, who held executive posts at the company. His son, Billy, is vice-president of the Creamery ice cream store chain.

Nephew Tim McEnery, founder of successful wine-themed restaurant chain Cooper's Hawk, which provided Champagne at one of President Barack Obama's inaugural balls, says on his website that he got his start at age 21 as the general manager of his uncle's Frankfort country club.

The elder Mr. McEnery clearly has a strong nostalgic fondness for his South Side childhood. A big fan of trains, according to people who know him, Mr. McEnery went so far late last year as to purchase three kid-sized locomotives, as well as a mile of track, from the Kiddieland amusement park in Melrose Park, a fixture for Chicago-area kids for decades before shutting down in September 2009. He loaned two of the engines to a train museum in Hesston, Ind.

At his seven ice cream shops in the south suburbs, Mr. McEnery struck a deal in 2008 with the owners of the more than 80-year-old Original Rainbow Cone in Chicago's Beverly neighborhood to sell their five-layered "rainbow" flavor in his stores—and draw in South Side transplants to the south suburbs like himself who remembered that flavor.

Mr. McEnery has shared his wealth with institutions he and his family have been affiliated with. He's a significant contributor to Notre Dame University, which his son graduated from in 2007, and he allowed his personal airplane to be used for a humanitarian mission to Haiti, according to an article in Notre Dame's alumni magazine.

He's also a major benefactor of his alma mater, Mount Carmel, and of Providence Catholic High School in south suburban New Lenox. His wife, Maggie, and stepdaughter Jennifer sponsor an annual golf outing at his Green Gardens Country Club in Frankfort, attended by local sports celebrities like Chicago Bears head coach Lovie Smith. According to the foundation's website, the tournament has raised more than \$1 million for several causes, including the Special Olympics.

This year was the first in 15 years that the golf event was canceled.

BAD TIMING

Underpinning Mr. McEnery's success over the decades was a steady stream of loans from downtown bankers eager to finance his expansion. He was a major customer of LaSalle Bank Corp., which Charlotte, N.C.-based Bank of America bought in 2007. His primary banker for years was former LaSalle heavyweight John Lynch Jr., now vice-chairman at Cole Taylor Bank in Chicago. He also was close to former LaSalle Bank CEO Norman Robins, now chairman of PrivateBank.

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ing couldn't have been worse. Revenues at the two casinos fell as recession ravaged the gambling industry. Legends filed for Chapter 11 bankruptcy less than two years after the acquisition. The company emerged this year, and Mr. McEnery is required to pump \$9 million in equity into the casinos under his new credit agreement, according to Moody's Investors Service. A person familiar with the matter says he hasn't done that yet. Mr. McEnery could lose control of the casinos if he doesn't come up with the equity.



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McEnery continued to roll over his bets on real estate, gambling and other businesses, he took on more secured primarily by his gas station properties, in the past four years from a greater array of banks.

The heavy borrowing and focus on investments tied to real estate values and consumer spending exposed Mr. McEnery to the full force of the recession, real estate collapse and credit crunch.

PAYMENTS SUDDENLY STOP

One banker, who spoke on condition of anonymity, says Gas City halted payments suddenly last spring and requested a meeting at which a turnaround specialist asked the banks to reduce the principal on their loans to salvage the still-profitable gasoline business. Partial payments have resumed on at least some of those gas station property loans, according to people familiar with the matter.

Bank of America, Gas City's largest lender, has played a central role in bringing matters to a head, sources say. A spokeswoman for B of A says the bank doesn't comment on customer relationships.

Both Cole Taylor and PrivateBank have filed foreclosure suits against Mr. McEnery. Mr. Bobins has told friends and acquaintances privately how betrayed and embarrassed he felt after PrivateBank's \$17-million loan to Mr. McEnery in late December went bad only three months later.

Messrs. Bobins and Lynch didn't return calls. Representatives of Cole Taylor and PrivateBank declined to comment.

Gas City has retained Chicago-based bankruptcy counsel at Perkins Coie LLP, sources say. A Perkins Coie representative declines to comment.

Foreclosing banks aren't Mr. McEnery's only problem: His trucking company, A. D. Conner Inc., shut down a week ago, a representative confirms. The petroleum hauler had 100 tractor-trailers and 200 employees, according to its website.

A. D. Conner is the target of a Sept. 20 lawsuit in U.S. District Court in Hammond in which a Teamsters local alleges the company stopped contributing to the union pension plan, as required by its collective bargaining agreement. The suit asks the court to order A. D. Conner to cover the shortfall plus a penalty amounting to 20% of all late payments.

Time seems to be working against Mr. McEnery. If the foreclosure actions succeed, he soon could start losing pieces of his empire.

Unless he can come up with enough cash to placate the banks, a Chapter 11 bankruptcy filing might be his best
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ing them at bay. A Chapter 11 reorganization would stall foreclosures for a while, buying him time



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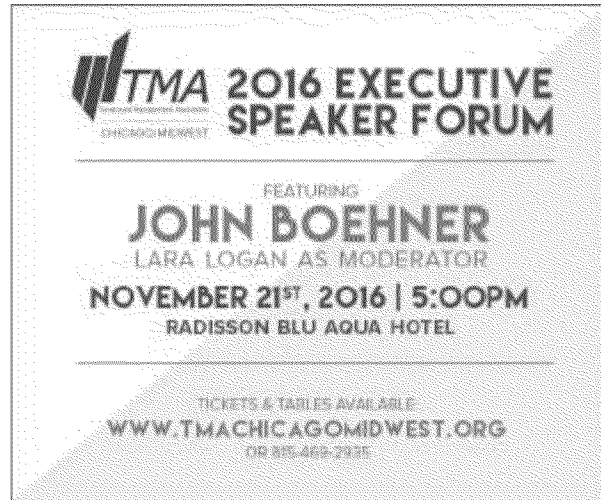
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Contributed to such local causes as the children's museum that opened in Frankfort three years ago.

Frankfort chamber President Mr. D'Ercole, a longtime local restaurateur: "I don't think there's anyone bigger than Bill McEnery here."



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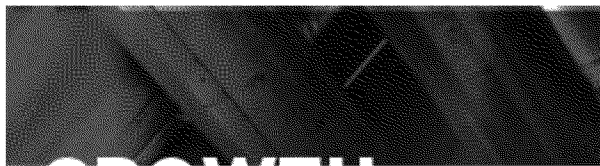
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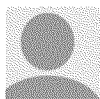
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